BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) OF IDAHO POWER COMPANY FOR) AUTHORITY TO INCREASE ITS RATES) AND CHARGES FOR ELECTRIC SERVICE) TO ELECTRIC CUSTOMERS IN THE STATE) OF IDAHO.))	CASE NO. IPC-E-03-13

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

DENNIS C. GRIBBLE

Q. Would you state your name, address and present occupation?

A. My name is Dennis C. Gribble and my business address is 1221 West Idaho Street, Boise, Idaho. I am employed by Idaho Power Company as Assistant Treasurer.

Q. What is your educational background?

A. I graduated in 1975 from Boise State University, Boise, Idaho, receiving a Bachelor of Business Administration degree in Economics. In 1978, I graduated from Boise State University, Boise, Idaho, with a Master in Business Administration. In 1989, I completed the University of Idaho's Public Utilities Executive Course in Moscow, Idaho. I have also attended numerous seminars and conferences on accounting and finance issues related to the utility industry. I am a Certified Treasury Professional.

Q. Would you please describe your business experience with Idaho Power Company?

A. I joined Idaho Power Company in 1979. In June 1982, I transferred to the Finance and Reporting Services Department as a Business Analyst. In June 1986, I was promoted to a Business Analyst Supervisor. In March 1991, I was promoted to Manager of Financial Services. In

January 1992, I was promoted to Manager of Corporate Accounting and Reporting. In 1996, I was promoted to Controller–Financial Services and in May 1999 I was promoted to my current position as Assistant Treasurer.

In the course of my duties with Idaho Power Company, I have presented testimony to the Idaho Public Utilities Commission and the Oregon Public Utility Commission.

Q. What are your duties as Assistant Treasurer as they relate to the current proceeding?

A. I oversee the direct financial planning, procurement, and investment of funds for Idaho Power, as well as supervise corporate liquidity management.

Q. What are your financial activities and responsibilities with respect to Idaho Power Company?

A. My activities and responsibilities include various aspects of all the Company's financings and other financial matters. With respect to long-term financings – sale of bonds, preferred stock, and common stock – my activities include development of financial plans with senior officers, meeting with representatives of investment banking firms that are interested in underwriting our securities, discussions with rating agencies, assisting in preparation of financial material including Registration Statements filed with the Securities and Exchange Commission, representing the Company at information meetings for investment banking firms, reviewing recommendations on bids received relative to the Company’s financings and recommending disposition of net proceeds. With respect to short-term financings, these activities and responsibilities include negotiation of lines of credit with commercial banks and arranging for the sale of commercial paper.

Q. Are you in continual communication with members of the financial community?

A. Yes. I am in constant contact with individuals representing investment and commercial banking firms, rating agencies, insurance companies, institutional investment firms, and other organizations interested in publicly traded securities, that actively follow IDACORP and Idaho Power Company. In association with the Chief Financial Officer and the Director of Investor Relations, my responsibilities include keeping these persons informed of the Company’s financial condition, arranging meetings with these people and Idaho Power’s senior executive management, and visiting with financial representatives in their respective offices. These members of the investment community have followed the electric utility industry for an extended period of time and have a great deal of expertise in the financial problems and prospects of utilities.

Through my continual contact with the financial community, and review of investment banking analytical reports and articles issued by these firms, I am able to keep informed on trends, interest rates, financing costs, security ratings, and other financial developments in the public utility industry.

Q. Are you a member of any professional societies or associations?

A. Yes. I am a member of the Association for Financial Professionals (AFP) and the Institute of Management Accountants (IMA).

Through information received from attendance at conferences and seminars of these and other utility professional groups such as the Edison Electric Institute, I am able to gain additional insights into the financial developments affecting Idaho Power Company as well as the electric utility industry.

Q. What is the purpose of your testimony in this proceeding?

A. I am sponsoring testimony as to the point estimate for Idaho Power Company's rate of return on common equity, the embedded cost of long-term debt and preferred stock, the use of an estimated year-end 2003 capital structure, and the resultant overall cost of capital to be used in these proceedings.

Q. What exhibits are you sponsoring?

A. I am sponsoring Exhibits numbered 12 through 15.

Q. What is the point estimate you recommend for the rate of return on common equity for Idaho Power Company?

A. As I will discuss in further detail later in my testimony, I have selected 11.2 percent as a reasonable cost of equity for the Company, which falls at the mid-point of Mr. Avera's recommended cost of equity range for Idaho Power Company of 10.6 to 11.9 percent. The 11.2 percent is also the minimum required fair rate of return considering the Company's overall management efforts throughout these last ten years as discussed by Mr. Keen and Ms. Fullen in their testimony, as well as the Company's efforts to economically refinance outstanding debt and preferred stock securities in recent years.

Q. What is the overall cost of capital for Idaho Power Company?

A. Based on an estimated year-end 2003 capital structure provided to me by Ms. Smith, the embedded cost of debt and preferred stock presented in my testimony, and incorporating the 11.2 percent cost of equity, the resultant overall cost of capital for Idaho Power Company is 8.334 percent.

Q. Mr. Avera indicates that his 10.6 to 11.9 percent recommended cost of equity range does not include any additional basis points as an incentive to the Company for its stewardship of the system and overall management efforts described by Mr. Keen and Ms. Fullen nor for the Company’s efforts to economically refinance its securities. What effect does this have on your 11.2 percent point estimate for the rate of return on the Company’s common equity?

A. If the Commission selects a cost of equity value that is less than the mid-point of the recommended cost of Mr. Avera’s recommended equity range, then the

Company will be penalized since the cost of equity range derived by Mr. Avera does not include any such reward.

Q. Mr. Avera indicates in his testimony that Idaho Power, when compared to the Western electric utility industry and its selected comparable peer group, has a greater share of specific risk. Do you agree with this conclusion?

A. Yes. Financial analysts, bond rating agencies, regulators, and other commentators in the financial press continue to chronicle the increasing volatility of change and risk in the western electric utility industry. The Company, not unlike the majority of the industry, also faces the prevalence of change and uncertainty. Most observers agree that individual companies tend to have increasingly less and less control of both the pace and magnitude of this change and uncertainty. In addition to the impact of the general electric utility industry risk, Idaho Power Company faces very specific risks.

Q. What risks are specific to Idaho Power Company?

A. The following are risks that the investing public view as specific to Idaho Power Company: (1) a predominately hydroelectric generating base subject to the vagaries of weather, water, and a volatile wholesale power supply market in the Western United States and specifically the Northwest, (2) the renewal of federal licenses for its hydroelectric projects, namely the Hells Canyon Complex which provides 40 percent of the Company's total generating capacity, and (3) the ability to recover significant capital investment required for present and growing electrical requirements and service reliability for its customers.

Q. Can you elaborate as to the nature of Idaho Power Company's risks?

A. Yes. I will provide additional detail on each specific risk and also provide the financial investing communities perspective relative to that risk. Allyson Rodgers, an equity analyst formerly with Ragen McKenzie (Pacific Northwest Research), succinctly states these specific risks in her May 7, 2003 research report (pg. 6); "We believe primary risks to IDACORP's ability to return to a more normal earnings range include continued slow economic activity, weather, including hydro conditions, and unfavorable regulatory action at the state or federal level.”

Q. Please describe the risks specific to a predominately hydroelectric generating base subject to the vagaries of weather and water.

A. Idaho Power Company and its customers have long enjoyed the benefits of a hydroelectric based utility. However, because of the heavy reliance on hydroelectric generation, the Company’s operations and resulting financial condition can be significantly impacted by low water conditions. Reduced hydroelectric generation resulting from below normal water flows, compels the Company to use more expensive thermal generation and/or purchased power to meet the electrical needs of its customers. Although the Idaho Public Utilities Commission (IPUC) grants recovery for the majority of extraordinary purchased power costs through the Company’s Power Cost Adjustment Mechanism (PCA), the recovery is less than 100 percent, is on a deferred basis, and is subject to the regulatory process. Generally, the investment community views the PCA mechanism as a positive since it does allow for recovery of the majority of excess net power supply costs. As a result of the 2000-2001 California energy crisis and four years of Northwest drought conditions, the last three PCA rate proceedings (i.e., 2001, 2002, and 2003) have resulted in unprecedented increased net power supply costs. Although originally conceived as a fair sharing mechanism, the Idaho jurisdictional 10 percent portion of the recent PCA proceedings borne by the Company's shareholders has had a devastating impact on the earnings capability of the Company. Unlike the more familiar fuel cost adjustment mechanisms (for gas utilities) that recover 100 percent of the changes in base fuel costs, the Company's PCA mechanism is viewed by the investment community as more risky as a result of this sharing feature. The firm of Ragen MacKenzie reported this impact in its February 25, 2002 IDACORP, Inc. research report (pg.6); "IDACORP estimates that Idaho Power Company's earnings (2002) would have been $1.45 higher ($1.27 negative impact from excess power costs not included in the PCA adjustment and a write-off of $0.18 for excess power costs) without the negative impact of higher power costs."

Q. Please describe the risks specific to the renewal of federal licenses for its hydroelectric projects, namely the Hells Canyon Complex that provides 40 percent of the Company's total generating capacity.

A. Idaho Power Company is the only investor-owned electric utility in the United States with 57 percent of its generation derived from hydro generating facilities under normal water conditions. With such a large portion of the Company's generation resources based on hydro facilities, a negative economic impact resulting from renewing the Federal licenses of these facilities could have a significant financial impact on the Company and the prices its consumers pay for electricity. As part of this process, the Company has and will file applications with the Federal Energy Regulatory Commission (FERC) for new licenses on 92 percent of its hydro generating capacity. Once an application is filed, the time frame to actually receive an order from the FERC is unknown. The combination of an unknown time frame to receive a new license along with a financial impact that is difficult to quantify, lays the foundation for a potentially large financial risk unique to the Company. The Hells Canyon generating facilities comprised of Hells Canyon, Oxbow, and Brownlee make up 68 percent of the Company’s hydro generation capacity and 40 percent of its total generation capacity. The Hells Canyon license application was filed in July of 2003. This process moves at an extremely deliberate pace due to the large number of interested parties involved in evaluating the application. This makes the likelihood of a new Hells Canyon facilities license being issued in 2005 remote. In these types of delayed situations, historically the Company has been given an annual license renewal (under the existing old license) until the formal new license is issued. This delay further reinforces the ambiguity of the ultimate financial impact. For any particular generating facility, the worst possible outcome would be the loss of the license to a competing party. Along with the uncertainty as to the eventual receipt of licenses and the costs involved in preparing for the license applications, costs of protection, mitigation and enhancement of natural resources (PME’s) related to these projects are also difficult to quantify. The potential financial magnitude of these PME’s and their effect on the Company’s low cost hydrogeneration resources, threaten the financial stability of a company the size of Idaho Power and the ultimate rates it must charge its customers. These amounts will vary between each facility, but in all cases they can be significant due to lost capacity, less generation at a higher cost, and the decreased ability of the Company to time and control water flows. If the Company cannot generate when it is most advantageous for the system, then some of the economic value of the generation has been lost, even if the amount of total generation does not change. Kevin Rose, an analyst with Moody’s Investor Services notes in his June 20, 2003 Opinion update on Idaho Power Company (Pg. 2); “What Could Change the Rating – DOWN….., Significant increases in relicensing costs and/or stringent operational constraints imposed as part of the license renewal process….”

In addition to the hydro relicensing risk, the Company continually faces significant capital, operating and other costs associated with compliance with current environmental statutes, rules and regulations. These costs may be even higher in the future as a result of, among other factors, changes in legislation and enforcement policies and the potential additional requirements imposed in connection with the relicensing of the Company’s hydroelectric projects.

Q. Why do you say that a volatile wholesale power supply market in the Western United States and specifically the Northwest is specific to Idaho Power Company?

A. The recent California energy crisis and its unprecedented effects on the prices in the wholesale energy markets, coupled with persistent drought in the Northwest have specifically impacted the Company. These impacts are; first, and as noted above, reduced access to the Company's low cost hydroelectric generation, second, increased reliance on the Company's thermal based generating resources, and lastly, the heightened exposure to volatile wholesale energy prices when the Company must rely on the wholesale energy market to meet native load requirements. When the Company is unable to utilize its hydro resources, it must next turn to the wholesale markets or its own thermal based resources. Typically pricing and availability will determine these decisions. Over the last several years, the Company's thermal fleet has been required to supply a large amount of the resource deficit since the wholesale energy market prices were extremely high and hydro availability was low. Although these thermal resources have been there when dispatched, these thermal resources are aging and are requiring increased capital and O&M expenditures just to maintain availability. As the reliability of these thermal resources diminishes, either as a result of age or over-utilization, the Company is further at the mercy of a volatile western and northwest energy market. Philip C. Adams, Banc One Capital Markets, Inc., describes this situation in his December 12, 2002 Update and New Issue Review (Pg. 2), “ Challenges: IPC is on its third consecutive year of below-average water availability for hydroelectric power. Its reliance on purchased power remains higher than normal, forcing IPC to fund purchases in anticipation of rate relief. IPC relies heavily on hydroelectric power for it generating needs and can experience a negative impact from adverse weather, such as a low snow pack in the mountains above IPC reservoirs, or low precipitation levels. As demand outstrips hydroelectric capacity, more expensive coal and diesel facilities, along with purchased power, are needed to make up the difference.”

Q. Please describe the risks specific to the

Company’s ability to recover significant capital investment required for present and growing electrical requirements and service reliability for its customers.

A. As the Company’s system ages and customer electrical requirements increase, additional investment is required to meet reliability standards and the additional demand on its electrical infrastructure. The Company’s latest forecast requires construction budgets of $150 million in 2003; this budget will rise to $675 million over the next three years. Recovery of these investments introduces an element of risk since; first, the need for the Company’s to attract capital, and second, recovery of these investments will be on a deferred basis and subject to the regulatory process. Kevin Rose, Moody’s Investors Services, identifies one of the Company’s key credit challenges in his June 20, 2003 Opinion Update as; “General rate increase needed to recover costs of customer growth, additional capacity needs and expansion of T&D system.”

Q. What is the status of Idaho Power Company’s bond ratings?

A. The following are the current First Mortgage Bond (FMB), Preferred Stock, Commercial Paper (CP-short term debt), and Rating Outlook ratings for Idaho Power Company:

	Moody's	S. & P.	Fitch
General Corporate Rating	A3	A-	No Rating
FMB's	A2	A	A
Preferred	Baa2	BBB	BBB+
CP	P-1	A-2	F-1
Outlook	Negative	Stable	Stable

Q. Have the Company's ratings been under pressure in recent years?

A. Yes. Although the bond ratings for the Company's first mortgage bonds have remained intact, the ratings on its preferred stock were changed due to a rating agency philosophy that replaced preferred stock ratings with a debt like standard. Accordingly, S&P has changed its rating on the Company's short term debt from A-1 to A-2, Moody's has the Company on a Negative Rating Outlook, and S&P has moved the Company from a Positive to a Stable Outlook. Moody's reasoned as follows; "IPC's rating outlook is negative as the utility continues to cope with difficult power supply markets in the region and prepares to seek a base rate increase to bolster utility returns and cash flow. Affiliate transaction issues with FERC and the IPUC have been largely resolved without undue cost, although certain internal compliance assessments still need to be completed." Swami Ven Kataroman, Standard & Poor's, in his October 3, 2003 update, states: "Standard & Poor's now expects that ratios will only meet expectations for the 'A-' rating and may even be slightly weaker in the interim, as Idaho Power continues to recover deferred power costs and face poor water conditions in the Snake River and lower than expected sales." The Company's S&P financial measurement benchmarks reflect the financial pressure the Company faces in maintaining its current ratings.

Q. What are the principal financial measurement ratio benchmarks used by Standard and Poor's (S&P)?

A. The first benchmark is the funds from operations (FFO) as a percent of average total debt. The second principal benchmark is FFO interest coverage. Pre—tax cash interest coverage is the third benchmark. The fourth benchmark used by Standard and Poor's is the ratio of total debt to total capital. In the first three benchmarks higher scores are better, while in the fourth benchmark, a lower score is better. These objective measurements are but one set of tools that Standard & Poor's use in determining the ultimate credit rating for a company. Other factors that standard and Poor's considers are management credibility and track record, forecasts provided by management, and general overall judgment by the rating agency committees.

Q. What are the Standard and Poor's electric utility financial ratio benchmarks?

A. The Standard and Poor's electric utility financial ratio benchmarks are set forth in Exhibit No. 12.

Q. How does Idaho Power Company's current (12 months ended June 30, 2003) S&P financial ratio benchmarks compare with the mid-point ratio benchmarks for an "A" rated electric utility with a level 4 business risk position (the Company's current risk position).

A. The resulting ratios are as follows:

	"A"	IPCo
FFO/total debt (%)	30.5%-24.5%	24.4%
FFO interest coverage (x)	4.5x-3.8x	6.70x
Pretax interest coverage (x)	4.0x-3.3x	2.00x
Total debt/total capital (%)	43.0%-49.5%	52.9%

Q. What do the Company's current financial benchmark ratios indicate regarding the Company’s financial condition?

A. Using a strict analytical approach, the FFO/total debt ratio of 24.4 percent would warrant a high “BBB” rating, the FFO interest coverage of 6.70x would yield a high “AA” rating (this ratio will decline, however, due to the recent reductions in PCA recovery), the Pretax interest coverage of 2.00, would produce a high “BB” rating, and the Total debt/total capital ratio of 52.9 percent, would score a “BBB” rating. Rating agency analysts must and do take into account qualitative aspects of a company, but a literal interpretation of these quantitative financial benchmark results would suggest a downgrade from the Company’s current “A” rating.

Q. What are the implications to the Company of increasingly more stringent risk assessments by rating agencies and the Company’s current financial benchmark ratios?

A. Without adequate rate relief and more normal water conditions, it is uncertain as to how long the Company can maintain an “A” rating. Although many Investor-Owned Utilities (IOU’s) find a “BBB” or “BBB+”

acceptable, the Company believes that maintaining a strong "A" rating is essential. The Company must maintain its ability to attract capital in the ultra-competitive investing environment. Idaho Power is not a large electric utility and when matched against other utility investment opportunities, the Company lacks the benefit of broad investment analyst coverage. Unless a strong single "A" rating is maintained; the absence of broad investment analyst coverage and the small size of the Company could prove to great an obstacle for the Company to overcome in its efforts to raise capital. A "BBB" rating for the Company would mean a 50-55 basis point annual increase on newly issued long-term debt and prevent the Company from accessing the low-cost short-term commercial paper (CP) market. Without access to the CP market, the Company will pay an added 70-80 basis points for short-term debt. In simple terms, a strong "A" rating is critical for Idaho Power to maintain its independence and attract lower cost capital as the Company enters into a period of substantial investment requirements.

Q. Is Idaho Power also affected by rating agencies imputing debt onto its balance sheet due to purchased power contracts?

A. Yes. Like other electric utilities, when the Company adds to its rate base, it must use some portion of shareholder equity to fund the investment. The Company must maintain its equity component above a certain level as it continues this investment process. Or as the debt levels increase, the Company will face the threat of a bond downgrading. Conversely, when the Company enters into contracts for purchased power, an obligation that is not reflected in its financial statement, an increase in equity to maintain credit quality is not automatic. This lack of required equity funding as an offset to the debt-like obligation of purchase power contracts, results in an off balance sheet risk. For financial commitments that do not appear on the balance sheet, financial analysts and rating agencies impute the debt and interest equivalents on the financial statements of the Company to achieve a more accurate picture of the risk associated with their investment. The added equity needed to offset this imputed debt and interest represents the effect that long–term purchase power commitments have on the cost of capital. Any increase in the long-term obligation of a utility related to its capacity and energy resources will have to be backed by an appropriate amount of equity in the eyes of the investment community.

Q. In their testimony, Mr. Keen and Ms. Fullen describe Company and management efforts in the areas of stewardship of the system, customer service, and demand-side management. Is there anything in the area of financing activity that you feel deserves similar recognition?

A. Yes. In addition to the areas discussed in detail by Mr. Keen, the Company has taken numerous opportunities to refund various issues of both long-term debt and preferred stock on a cost effective basis. This has resulted in significantly lower embedded costs than would otherwise have been the case. At the last Idaho general rate case, the Company's overall cost of debt capital was 8.024 percent and the effective cost of preferred stock was 6.083 percent. As will be shown later in my testimony, the Company's current cost of debt capital is 5.983 percent and the effective cost of preferred stock is 6.534 percent. The primary driver for the small increase in the effective cost of preferred stock was the removal of the $50 million variable rate auction preferred stock that was redeemed in August 2002. This redemption was due to a different preferred stock rating criteria that placed added pressure on the ability of this market to avoid a failed auction process. The resulting financing efforts by the Company are reflected by the overall cost of capital at the last Idaho general rate case of 9.199 percent being reduced to the current cost of capital of 8.334 percent that is proposed in this filing.

Q. Would you please comment on page 1 of Exhibit No. 13?

A. Page 1 of Exhibit No. 13 details the calculation of the Idaho Power Company capital structure for long-term debt, preferred stock, and common equity balance resulting from the Company's estimated year end 2003 capital structure as provided to me by Ms. Smith.

Q. Earlier in your testimony you indicated that you have used an estimated 2003 financial result in arriving at the overall cost of capital for the Company. Why have you selected this particular capital structure?

A. The estimated year end 2003 financial results as provided to me by Ms. Smith reflect the

Company’s best estimate at this time of the 2003 year-end capital structure. The Commission can update the capital structure to incorporate known and measurable changes as this proceeding progresses to reflect an actual year-end 2003 capital structure. Mr. Avera, in his testimony, has indicated that the capital structure submitted on page 1 of my Exhibit No. 13 is reasonable and is consistent with comparable companies in the industry.

Q. The capital structure presented on page 1 of Exhibit No. 13 incorporates changes to the Company’s normal financial reporting of its capital structure. Could you please discuss the rationale for the variance?

A. For financial reporting purposes the American Falls Bond Guarantee and the Milner Dam Note Guarantee are included in the long-term debt portion of the capital structure. For ratemaking purposes the interest costs associated with both the American Falls and the Milner debt securities are covered as operating and maintenance (“O&M”) expenses. Even with these exclusions, the capital structure presented in my Exhibit No. 13 is reasonable in light of industry and rating agency criteria.

Q. Would you please comment on page 1 of

Exhibit No. 14?

A. Page 1 of Exhibit No. 14 details the calculation of the embedded cost of debt used in the estimated year-end 2003 capital structure. The embedded cost of debt is 5.983 percent.

Q. Does the Company utilize variable rate securities in its long-term capitalization?

A. Yes, the Company currently utilizes several variable rate securities in its long-term capitalization. These securities are the County of Sweetwater Variable Rate Series 1996B ($24.2 million), and 1996C ($24.0 million) Pollution Control Bonds, and the Port of Morrow Variable Rate Pollution Control Bonds ($4.36 million). Also, the Company intends to refinance its $49.8 million, 8.30 percent Humboldt County Pollution Control Revenue bonds in October, 2003 by issuing new $49.8 million of variable rate bonds. These securities are listed on lines 12, 13, 14, and 15 of page 1 on Exhibit No. 14.

Q. Would you please describe the variable rate nature of these variable rate pollution control bonds?

A. These variable rate pollution control bonds, although considered long-term securities, have features that allow the Company to take advantage of rates applicable to short term securities. The County of Sweetwater Pollution Control Variable Rate Bonds Series B and C (Bridger Variable Rate Bonds) reset the interest rate on a daily basis. The Port of Morrow Pollution Control Variable Rate Bonds (Boardman Variable Rate Bonds) reset the interest rate on a weekly basis. The proposed Humboldt Pollution Control Revenue Bonds (Valmy Variable Rate Bonds) will reset their interest rate every 35 days. The Bridger Variable Rate Bonds daily rate interest rate is determined each business day by a Remarketing Agent by examining tax-exempt obligations comparable to the Bridger Variable Bonds known to have been priced or traded under the then-prevailing market conditions that would be the lowest rate which would enable the Remarketing Agent to sell the Bridger Variable Rate Bonds. Likewise, on a weekly basis the Boardman Variable Rate Bonds weekly interest rate is determined the first day of a weekly period by a Remarketing Agent by examining tax-exempt obligations comparable to the Boardman Variable Bonds known to have been priced or traded under the then-prevailing market conditions that would be the lowest rate which would enable the Remarketing Agent to sell the Boardman Variable Rate Bonds. The new Valmy Variable Rate Bonds are designed to reset their interest rate every 35 days via a dutch auction process (lowest bid received by an Auction Agent that covers the bonds outstanding) to reflect the current market conditions.

Q. Please comment on the derivation of the effective cost of the interest rates for the Pollution Control Bonds listed on lines 12, 13, 14, and 15 on page 1 of Exhibit No. 14?

A. Page 2 of Exhibit No. 14 is a chart that depicts the Bond Market Association (BMA) Municipal Swap Index for the last 10 years. The BMA Municipal Swap Index, produced by Municipal Market Data (MMD), is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations (VRDO's) from MMD's extensive database. The Index was created in response to industry participants' demand for a short-term index to accurately reflect activity in the VRDO market. In 1991, The Bond Market Association established a Market Index Subcommittee to analyze the need for such an index, and determined a solution. MMD worked closely with The Bond Market

Association to determine appropriate criteria on which to base the index. Issuers, investment bankers and other market participants need an efficient way to monitor the market on a regular basis. The index provides a consistent, superior means of tracking market movements as they occur.

Pages 3, 4, 5, and 6 of Exhibit No. 14 show the Company's spreads (difference of the Company's actual variable rate, plus or minus, when compared to the BMA Municipal Swap Index) over the BMA Municipal Swap Index for the Bridger Variable Rate Bonds and the Boardman Variable Rate Bonds since the life of these bonds, plus an estimate for the Valmy Variable Rate Bonds.

In light of the volatility in short–term interest rates, I determined that an average of the 10 year BMA Municipal Swap Index, plus an average of the Company's spreads since the inception of these variable rate bonds, should be used in calculating the cost of these securities. This is a conservative approach in that, there are a significantly larger amount of data points at the low end of the 10-year cycle and the trough covers a relatively high percentage of this cycle.

The average of the 10 BMA Municipal Swap Index is 3.04 percent, the average Company spreads for the Bridger Variable Rate Bond Series B is -.07%, the Bridger Variable Rate Bond Series C is -.12%, the Boardman Variable Rate Bond is .94%, and the Valmy Variable Rate Bonds is .61% (includes amortization of call premium, spread over BMA index, broker dealer fees, and insurance costs). The resulting coupon rates used for these variable rate securities are:

Bridger Variable Rate Bond Series B - 2.97%
Bridger Variable Rate Bond Series C - 2.92%
Boardman Variable Rate Bond - 3.98%
Valmy Variable Rate Bond is - 3.65%

Q. Would you please comment on Exhibit No. 15?

A. Exhibit No. 15 details the calculation of the embedded cost of preferred stock used in the forecasted 2003 capital structure. The embedded cost of preferred stock is 6.534 percent.

Q. What is the overall weighted cost of capital when you incorporate the respective costs?

A. The overall weighted cost of capital for revenue requirement purposes in this proceeding is 8.334

percent. This is based on a 5.993 percent embedded cost of debt; a 6.534 percent embedded cost of preferred stock; and the 11.2 percent rate of return on common equity.

Q. Does this conclude your direct testimony in this case?

A. Yes, it does.